

January 15, 2002

Legislative Audit Commission
622 Stratton Office Building
Springfield, IL 62706

Dear Members:

In accordance with section 3-15 of the Illinois State Auditing Act (30 ILCS 5/3-15), I hereby submit the report on the operations of the Office of the Auditor General for the second quarter of Fiscal Year 2002 which ended December 31, 2001.

FISCAL MATTERS

<i>FY 2002 – SECOND QUARTER</i>				
	<i>Appropriation</i>	<i>Expended</i>	<i>Obligated</i>	<i>Balance</i>
Personal Services	\$ 3,778,000	\$ 1,833,789	\$ 0	\$1,944,211
Employee Retire. (Employer)	151,400	69,030	0	82,370
State Retirement	380,500	184,172	0	196,328
Social Security	290,000	133,857	0	156,143
Contractual Services	561,000	241,945	198,185	120,870
Travel	100,000	40,787	0	59,213
Commodities	25,000	3,306	0	21,694
Printing	20,000	10,694	25	9,281
Equipment	35,000	6,915	0	28,085
EDP	120,000	25,087	15,771	79,142
Telecommunications	75,000	25,839	0	49,161
Oper. of Auto. Equip.	5,000	1,006	0	3,994
Audits/Studies/Invest.*	<u>12,798,617</u>	<u>3,259,849</u>	<u>4,656,845</u>	<u>4,881,923</u>
TOTAL	<u>\$18,339,517</u>	<u>\$5,836,276</u>	<u>\$4,870,826</u>	<u>\$7,632,415</u>
*Audit Expense Fund				

PERSONNEL

<i>PERSONNEL</i>					
	<u>10-01-01</u>	<u>Appointments</u>	<u>Separations</u>	<u>Transfers</u>	<u>12-31-01</u>
Springfield	69	0	1	0	68
Chicago	<u>09</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>09</u>
TOTAL	<u>78</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>77</u>

CONTRACTS

During the second quarter of Fiscal Year 2002 the Office of the Auditor General entered into one financial/compliance audit contract and three information systems audit contracts.

TRAINING

Training for the second quarter of Fiscal Year 2002 included Audit Planning, Federal Information System Controls Audit Manual Training, IT Auditing, Network Security, Performance Auditing, and Preparing for the Background Phase of an Audit. Additional external training that staff participated in includes Computer Security, Fraud Investigation, Illinois Digital Government Summit, Increasing Auditor Effectiveness in Recognizing and Detecting Fraud, Information Technology and Web Application Security.

PERFORMANCE AUDITS

***PERFORMANCE AUDITS
IN PROGRESS***

<i>AUDITS</i>	<i>ESTIMATED RELEASE DATE</i>
<ul style="list-style-type: none"> • Compliance and Management Audit of Chicago's Airports (PA 89-386) 	Unknown
<ul style="list-style-type: none"> • Audit of Technology Tracking Users of Web Sites (H.R. 263) 	Released January 3, 2002
<ul style="list-style-type: none"> • Study of Bidding Specifications on State Construction Contracts (S.R. 147) 	Spring 2002
<ul style="list-style-type: none"> • Management Audit of Group Workers Compensation Self-Insured Pools (LAC No. 121) 	Summer 2002
<ul style="list-style-type: none"> • Management Audit of the Early Intervention Program (LAC No. 122 and Public Act 92-307) 	Summer 2002
<ul style="list-style-type: none"> • Financial and Management Audit of the Teachers Academy for Mathematics and Science (H.R. 304) 	Summer 2002
<ul style="list-style-type: none"> • Program and Management Audit of Kid Care (S.R. 152) 	Summer 2002

FINANCIAL & COMPLIANCE AUDITS

The following is a listing of financial and compliance audits for the period(s) ending June 30,

2000 and December 31, 2000. All Fiscal Year 2000 audits have been released.

***FINANCIAL & COMPLIANCE AUDITS
FOR THE PERIOD(S) ENDING JUNE 30, 2000
AND DECEMBER 31, 2000***

F = Financial

C = Compliance

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Attorney General	X	x	06-28-01
Capital Development Board	X	x	02-28-01
Chicago State University	X	x	05-24-01
Chicago State University Foundation	X		05-24-01
Comptroller – Fiscal Officer	X	x	05-08-01
Comptroller – Non-Fiscal Officer	X	x	05-08-01
Department on Aging	X	x	03-27-01
Department of Agriculture (DuQuoin Fair)		x	03-14-01
Department of Agriculture (IL State Fair)		x	03-14-01
Department of Central Management Services	X	x	03-07-01
Department of Central Management Services (Deferred Compensation Plan)	X		06-28-01
Department of Children and Family Services	X	x	04-05-01
Department of Commerce and Community Affairs	X	x	03-07-01
Department of Corrections – General Office	X	x	04-10-01
Dept.of Corrections, Correctional Center - <i>Big Muddy River</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Centralia</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Danville</i>		x	04-10-01
Dept. of Corrections, Correctional Center - <i>Decatur Womens</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Dixon</i>		x	04-10-01
Dept. of Corrections, Correctional Center - <i>Dwight</i>		x	04-10-01
Dept. of Corrections, Correctional Center - <i>East Moline</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Graham</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Hill</i>		x	04-10-01
Dept. of Corrections, Correctional Center - <i>IL River Canton</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Jacksonville</i>		x	04-10-01

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Dept. of Corrections, Correctional Center – <i>Joliet</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Lincoln</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Logan</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Menard</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Pinckneyville</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Pontiac</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Robinson</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Shawnee</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Sheridan</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Southwestern IL</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Stateville</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Tamms</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Taylorville</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Vandalia</i>		x	04-10-01
Dept. of Corrections, Correctional Center – <i>Vienna</i>		x	04-10-01
Dept. of Corrections, Correctional Center <i>Western Illinois</i>		x	04-10-01
Department of Corrections, Correctional Industries	X	x	04-10-01
Dept. of Corrections, IL Youth Center – <i>Chicago</i>		x	04-10-01
Dept. of Corrections, IL Youth Center – <i>Harrisburg</i>		x	04-10-01
Dept. of Corrections, IL Youth Center – <i>Joliet</i>		x	04-10-01
Dept. of Corrections, IL Youth Center – <i>Murphysboro</i>		x	04-10-01
Dept. of Corrections, IL Youth Center – <i>Pere Marquette</i>		x	04-10-01
Dept. of Corrections, IL Youth Center – <i>St. Charles</i>		x	04-10-01
Dept. of Corrections, IL Youth Center – <i>Valley View</i>		x	04-10-01
Dept. of Corrections, IL Youth Center – <i>Warrenville</i>		x	04-10-01
Department of Employment Security	X		02-28-01
Department of Financial Institutions	X	x	03-27-01
Department of Human Services	X		03-27-01
Department of the Lottery	X	x	02-28-01
Department of Military Affairs	X	x	04-26-01

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Department of Natural Resources	X	x	04-26-01
Department of Public Aid	X	x	05-17-01
Department of Revenue	X		03-20-01
Department of State Police	X	x	03-29-01
Department of Transportation	X	x	04-26-01
Department of Veterans' Affairs – General Office	X	x	04-26-01
Drycleaner Environmental Response Trust Fund Council	X	x	03-29-01
East St. Louis Financial Advisory Authority	X	x	02-28-01
Eastern Illinois University	X	x	03-29-01
Eastern Illinois University Alumni Association	X		02-22-01
Eastern Illinois University Foundation	X		02-22-01
Environmental Protection Agency	X	x	03-29-01
Environmental Protection Agency Trust Fund Commission	X	x	03-29-01
General Assembly – Retirement System	X	x	02-14-01
Governors State University	X	x	03-29-01
Governors State University Alumni Association	X		02-22-01
Governors State University Foundation	X		02-22-01
Health Care Cost Containment Council	X	x	03-14-01
Historic Preservation Agency	X	x	03-14-01
Illinois Community College Board	X	x	03-07-01
Illinois Community College System Foundation	X	x	03-07-01
Illinois Conservation Foundation	X	x	03-07-01
Illinois Development Finance Authority	X	x	03-22-01
Illinois Farm Development Authority	X	x	03-22-01
Illinois Health Facilities Authority	X	x	03-22-01
Illinois Housing Development Authority	X	x	03-22-01
Illinois Mathematics and Science Academy	X	x	03-14-01
Illinois Mathematics and Science Academy Fund	X		03-14-01
Illinois Medical District Commission	X	x	04-26-01
Illinois Racing Board	X	x	03-14-01

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Illinois Rural Bond Bank	X	x	03-22-01
Illinois State Board of Investment	X		02-14-01
Illinois State Board of Investment		x	03-27-01
Illinois State Toll Highway Authority	X	X	12-04-01
Illinois State University	x	x	03-29-01
Illinois State University Foundation	x	x	03-29-01
Illinois Student Assistance Commission, Designated Account Purchase, Prepaid Tuition	x		03-20-01
Illinois Veterans' Home – Anna	x	x	04-26-01
Illinois Veterans' Home – LaSalle	x	x	04-26-01
Illinois Veterans' Home – Manteno	x	x	04-26-01
Illinois Veterans' Home – Quincy	x	x	04-26-01
Illinois Violence Prevention Authority	x	x	06-28-01
Industrial Commission – Self Insurer's Fund	x		03-14-01
Joint Committee on Administrative Rules	x	x	03-27-01
Judges Retirement System	x	x	02-14-01
Judicial Inquiry Board		x	06-28-01
Kankakee River Valley Area Airport Authority	x	x	04-05-01
Law Enforcement Training Standards Board	x	x	03-29-01
Legislative Information System		x	05-08-01
Liquor Control Commission	x	x	03-20-01
Northeastern Illinois University	x	x	03-29-01
Northeastern Illinois University Foundation	x		02-22-01
Northern Illinois University	x	x	03-20-01
Northern Illinois University Alumni Association	x	x	03-20-01
Northern Illinois University Foundation	x	x	03-20-01
Office of Banks and Real Estate	x	x	03-29-01
Petroleum Resources Board	x	x	04-26-01
Pollution Control Board	x	x	05-17-01
Prairie State 2000 Authority	x		03-27-01
Prisoner Review Board		x	05-17-01

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Property Tax Appeal Board		x	02-28-01
Secretary of State	x		05-08-01
Sex Offender Management Board	x	x	06-28-01
Southern IL University	x	x	04-26-01
Southern IL University – Carbondale Alumni Association	x		02-22-01
Southern IL University – Carbondale Foundation	x		02-22-01
Southern IL University – Carbondale Foundation Evergreen	x		02-22-01
Southern IL University – Edwardsville Alumni Association	x		02-22-01
Southern IL University – Edwardsville Foundation	x		02-22-01
Southern IL University – Physicians & Surgeons, Inc.	x		02-22-01
Southern IL University – Edwardsville University Park	x		02-22-01
Southwestern Illinois Development Authority	x	x	05-17-01
State Appellate Defender	x	x	05-17-01
State Board of Education	x	x	03-20-01
State Employees’ Retirement System	x		02-14-01
State Fire Marshal	x	x	03-29-01
State Police Merit Board	x	x	03-29-01
State Universities Retirement System	x	x	02-14-01
State’s Attorney’s Appellate Prosecutor	x	x	03-29-01
Statewide Single Audit	x		06-22-01
Teachers’ Retirement System	x	x	02-14-01
Treasurer – College Savings Pool	x		05-08-01
Treasurer – Fiscal Officer	x	x	05-08-01
Treasurer – Illinois Funds	x		03-07-01
University of Illinois	x	x	03-20-01
University of Illinois Alumni Association	x	x	03-20-01
University of Illinois Foundation	x	x	03-20-01
University of Illinois – Chicago HMO	x		05-24-01
University of Illinois – Prairieland Energy, Inc.	x	x	03-20-01
University of Illinois – Wolcott, Wood & Taylor, Inc.	x	x	03-20-01

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Western Illinois University	x	x	03-22-01
Western Illinois University Foundation	x		03-22-01

The following is a listing of financial and compliance audits for the period(s) ending June 30, 2001 and December 31, 2001. As the year progresses the "date released" column will be completed.

<p><i>FINANCIAL & COMPLIANCE AUDITS FOR THE PERIOD(S) ENDING JUNE 30, 2001 AND DECEMBER 31, 2001</i></p>

F = Financial

C = Compliance

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Alton Mental Health Center			
Arts Council and Foundation			
Attorney Registration and Disciplinary Commission			
Board of Admissions to the Bar			
Board of Higher Education			
Bureau of the Budget			
Capital Development Board			
Center for Rehabilitation and Education			
Chester Mental Health Center			
Chicago Read Mental Health Center			
Chicago State University			
Chicago State University Foundation			
Choate Mental Health Center			
Civil Service Commission			
Commission on Intergovernmental Cooperation			
Comptroller - Fiscal Officer			
Correctional Industries			

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Court of Claims			
Criminal Justice Information Authority			
DCMS – Deferred Compensation Plan – 12/31/01			
Deaf and Hard of Hearing Commission			
Department of Agriculture			
Department of Central Management Services			
Department of Employment Security			
Department of Human Rights			
Department of Human Services – Central Office			
Department of Insurance			
Department of Labor			
Department of Lottery			
Department of Nuclear Safety			
Department of Professional Regulation			
Department of Public Aid			
Department of Public Health			
Department of Revenue			
Department of Transportation			
Development Finance Authority			
Distance Learning Foundation			
Drycleaner Envir. Res. Trust Fund Council			
DuQuoin State Fair			
Eastern Illinois University			
Eastern Illinois University Alumni Association			
Eastern Illinois University Foundation			
Economic and Fiscal Commission			
Educational Facilities Authority			
Educational Labor Relations Board			
Elgin Mental Health Center			
Emergency Management Agency			

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Farm Development Authority			
Fox Developmental Center			
General Assembly			
General Assembly Retirement System			
Governors Commission on the Status of Women			
Governors State University			
Governors State University Alumni Association			
Governors State University Foundation			
Guardianship and Advocacy Commission			
Health Facilities Authority			
High School Association			
Housing Development Authority			
Howe Developmental Center			
Human Rights Commission			
Illinois Building Commission			
Illinois Commerce Commission			
Illinois Conservation Foundation			
Illinois Grain Insurance Corporation			
Illinois Labor Relations Board			
Illinois Math and Science Academy and Fund			
Illinois Council on Developmental Disabilities			
Illinois Petroleum Resources Board			
Illinois State Fair			
Illinois State University			
Illinois State University Foundation			
Illinois Student Assistance Commission			
Industrial Commission			
Jacksonville Developmental Center			
Judges Retirement System			
Kankakee River Valley Area Airport Authority			

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Kiley Developmental Center			
Legislative Audit Commission			
Legislative Printing Unit			
Legislative Reference Bureau			
Legislative Research Unit			
Lincoln Developmental Center			
Literacy Foundation			
Ludeman Developmental Center			
Mabley Developmental Center			
Madden Mental Health Center			
McFarland Mental Health Center			
Metro. Pier and Exposition Authority			
Murray Developmental Center			
Northeastern Illinois University			
Northeastern Illinois University Foundation			
Northern Illinois University			
Northern Illinois University Alumni Association			
Northern Illinois University Foundation			
Office of the Governor			
Office of the Lieutenant Governor			
Pension Laws Commission			
Prairie State 2000 Authority			
Rural Bond Bank			
School for the Deaf			
School for the Visually Impaired			
Secretary of State			
Shapiro Developmental Center			
Singer Mental Health and Developmental Center			
Southern Illinois University			
Southern Illinois University Carbondale – Alumni Assoc.			

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Southern Illinois University Carbondale – Foundation			
Southern Illinois Univ. Edwardsville – Alumni Assoc.			
Southern Illinois University Edwardsville – Foundation			
Southern Illinois University Physicians and Surgeons			
Southern Illinois University – University Park			
Space Needs Commission			
State Board of Education			
State Board of Elections			
State Board of Investment			
State Employees’ Retirement System			
State Universities Retirement System			
Statewide Single Audit			
Summer School for the Arts			
Supreme Court			
Teachers’ Retirement System			
Teachers’ Pension and Retirement System – Chicago			
Tinley Park Mental Health Center			
Toll Highway Authority – 12/31/01			
Treasurer – College Savings Pool			
Treasurer – Fiscal Officer			
Treasurer – Illinois Funds			
Treasurer - Non-fiscal officer			
Universities Civil Service Commission			
University of Illinois			
University of Illinois Alumni Association			
University of Illinois Foundation			
University of Illinois - HMO 8/31/01			
University of Illinois – Prairieland Energy, Inc.			
University of Illinois - -Research Park LLC			
University of Illinois – Ventures LLC			

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
University of Illinois – Wolcott Wood & Taylor, Inc.			
Western Illinois University			
Western Illinois University Foundation			
Zeller Mental Health Center			

INFORMATION SYSTEMS AUDITS

These audits are components of each agency's regularly scheduled financial and compliance audit for the period ending June 30, 2001.

<i>INFORMATION SYSTEMS AUDITS AUDITS INITIATED AND/OR COMPLETED IN FISCAL YEAR 2002</i>	
•	Bureau of the Budget
•	Comptroller
•	Department of Central Management Services – BCCS 3 rd Party Review
•	Department of Employment Security
•	Department of Human Services
•	Department of Insurance
•	Department of Labor
•	Department of Nuclear Safety
•	Department of Public Health
•	Department of Revenue
•	Eastern Illinois University
•	Illinois Industrial Commission
•	Secretary of State
•	Southern Illinois University
•	Supreme Court
•	Treasurer
•	University of Illinois
•	Western Illinois University

EMERGENCY PURCHASES

The Illinois Procurement Code requires agencies expending funds in an emergency to file an affidavit with the Auditor General within 10 days after the procurement, setting forth the amount expended, the name of the contractor, and the circumstances requiring the emergency purchase. The Auditor General, in turn, is required to file a quarterly report with the Commission and the Governor setting forth a complete listing of all emergency purchases reported during that quarter. The latest report is for the second quarter of Fiscal Year 2002 and it contains fifty seven filings with this Office.

CONTRACTUAL SERVICES CERTIFICATIONS

Pursuant to the requirements of the State Finance Act at 30 ILCS 105/15a, State agencies must file a certification with the Auditor General prior to the execution of any contract with a former employee who took an early retirement incentive. The certification must state that the former employee either possesses unique expertise or is essential to the operation of the agency.

During the second quarter of Fiscal Year 2002, the Auditor General did not receive any new contractual services certifications.

Copies of certifications received in previous quarters are on file in our Office.

CHICAGO AIRPORT AUDIT LAWSUIT

Public Act 89-386 (the Amendment), which was signed into law in August of 1995, amended the Illinois State Auditing Act to require the Auditor General to conduct a management and compliance audit of the operation of Chicago's three airports--O'Hare, Midway and Meigs. The Amendment specifically directs the audit to include an examination of the airports' revenues, expenses and transfers of funds; purchasing and contracting policies and practices; staffing levels; and hiring practices and procedures.

On September 9, 1996, my Office issued a subpoena to the City of Chicago to obtain certain routine documents, such as contracts, leases and operational policies and procedures, necessary to perform the audit. On that same day, the City of Chicago filed a lawsuit in Cook County Circuit Court seeking to enjoin me from carrying out the requirements of P.A. 89-386. My Office is represented in this lawsuit by the Attorney General's Office.

CHICAGO AIRPORT AUDIT LAWSUIT (Continued)

In the fall of 2000, the Circuit Court held that the 1995 Amendment passed by the General Assembly is unconstitutional. My Office immediately appealed that holding directly to the Illinois Supreme Court. A hearing before the Supreme Court took place on November 27, 2001, and we are now awaiting an opinion from that body.

WILLIAM G. HOLLAND HONORED

Auditor General Holland received the tenth annual Motorola Excellence in Public Service Award in a ceremony held October 17th in downtown Chicago. The honor is given annually to a non-elected public official who is determined to have improved the lives of citizens through extraordinary leadership, teamwork and innovation.

Presented by Motorola, and co-sponsored by the North Business and Industrial Council (NORBIC), *Illinois Issues* and Aon Corporation, the award is a mechanism for the private sector to recognize outstanding individuals in the public sector.

Yours truly,

WILLIAM G. HOLLAND
Auditor General